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REVIEW DATE:

AUTH: 11772

REVIEWER: 372044

Outline of ONE memo of 9 November:

"THE SHORT TERM POLITICAL OUTLOOK
IN ITALY (through 1955)"

I. Impact of Trieste Developments on Pella
Government

- A. Owing to center parties' weakened condition since the June elections, Pella's government is avowedly "transitional" and was to have expired on 31 October. Pella has sought a political victory on Trieste to strengthen his position.
- B. Minimum Italy would probably accept at any Five Power conference would be return of bulk of Zone A. Concessions Italy would probably make to Yugoslavia include:
 - (1) Exchange of some predominantly Slovene areas on edge of Zone A for comparable cessions in Zone B,

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but Italy would not cede port of
Zaule (Servola), except possibly
for major concessions in Zone B.

(2) Extensive port and access rights in
Trieste city, and mutual minority
guarantees.

(3) Demilitarization of both zones.

C. Early solution on these lines would al-
most certainly keep Pella in power, but
only if Italian public considered it as
satisfactory as the 8 October declara-
tion.

D. Pella's fall on Trieste issue would fur-
thur strengthen left and right extremes
at expense of center.

II. Longer Term Outlook

A. Even if Pella survives on Trieste issue,
political instability will continue and
present government will probably not sur-
vive next two years.

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- (1) Popular demands for social and economic change are growing with major strikes possible.
- (2) Monarchists, now supporting Pella cabinet, will eventually insist on participation in it.

B. Communist accession to power in next two years not likely

- (1) Italian security forces could and would suppress any attempted coup.
- (2) Elections not scheduled before 1958.

C. Any coalition between Nenni's Socialists and center parties unlikely in this period because of deep differences between him and Christian Democrats.

D. Most likely successor to Pella would be center or center-right government, probably involving continued Monarchist support.

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- (1) Differences between Monarchists and reformist Christian Democrats probably easier to reconcile than those between Christian Democrats and Nenni's Socialists.
- (2) Monarchists, though eventually demanding inclusion in government, are not likely to demand vote on restoration of Monarchy as price of their participation.

E. A moderate rightist government might eventually become more authoritarian in methods, but a right dictatorship is highly unlikely in next two years, since support of moderate groups would still be essential.

II. Implications of Fall of Pella Government

- A. If Pella fell on Trieste issue, any new government would be more nationalistic and less disposed to cooperate with the

- (1) Domestic support for Italy's NATO effort would be greatly weakened.
 - (2) Prospects for Italian EDC ratification would be diminished.
- B. Rightist governments might be less able to cope with Italy's social and economic ills, thus enhancing popular appeal of Social-Communists.

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